NABARD Funds to State Governments

1294. SHRI V.P. DURAISAMY; Will the Minister of FINANCE be pleased to state:

(a) whether jt is a fact NABARD is giving funds to State Government towards construction of roads and loans to the farmers;

(b) what is the criterion for granting loans to a State Government;

(c) whether it is a fact that previpusly funds have been diverted from NABARD to the constituency of same Minister for the purpose of development; and

not would take to disburse funds to the

(d) what steps Government

State Governments uniformly?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL): (a) National Bank for Agriculture and Rural Development (NABARD) provides funds to the State Governments towards construction of rural roads out of Rural Infrastructure Development Fund (RIDF) maintained by it. NABARD is an apex body extending refinance facilities to commercial banks, cooperative banks and regional rural banks for their on-lending to farm and non-farm activities. NABARD does not provide loans to State Governments for issuing loans to farmers. NABARD, however, provides long term loans to State Governments under the provisions of Section 27 of the NABARD Act, 1981 for contributing to the share capital of co-operative credit institutions.

(b) The criteria for granting loans to State Government out of RIDF are given below:

(i) The project should be of high priority to the State Government;

(ii) The project should be such that it could be completed within 2-3 years;

(iii) The State Government should have the required machinery to execute the projects within the agreed time period;

(iv) Economic rate of return of the project should not be below15%;

(v) Bank credit may normally not be available for the identified project. The salient features of the policy for provision of long term loans

to state Government for contributing to share capital of cooperative credit institutions include, *inter-alia,* limiting of State Govt, contribution to 50% of the paid-up capital of the institution, completion of audit of the institution, limiting of ovcrdues, ceiling on loans, relaxations, etc.

(c) NABARD has reported that there has been no such diversion of funds.

(d) Loans arc disbursed to the State Governments as per well laid down policy indicated in (b) above.

Objections of Nationalisation of Banks

1295. SHRI E. BALANANDAN: Will the Minister of FINANCE be pleased to state:

(a) why the government felt it necessary to dilute stakes in PSU Banks below 51% instead of recapitalising them;

(b) what were the objectives of Bank nationalisation; and

(c) whether those objectives were achieved more or less?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL): (a) In view of the increasing requirement of capital of nationalised banks in order to obtain prescribed higher standards of capital adequacy, the infeasibility of the Central Government's continuing to indefinitely meet the requirement of additional capital of the banks in the context of competing claims for budgetary support and the consequent need for raising from market, the need for promoting competition, efficiency and providing more autonomy and in accordance with the policy of economic reforms, it has been recommended by the Committee on Banking Sector Reforms (Narasimham Committce-II) to amend the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970/1980 to provide for an enabling provision for the banks to raise capital from the market even with Government shareholding going below 51 percent. Since no decision has been taken by the Governm.ent on this recommendation, it would be incorrect to state that Government has felt it necessary to dilute stake in public sector banks below 51 percent.

(b) The objective of bank nationalisation in 1970 and 1980 were to